

**TOWN OF HAMPTON,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2014**

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
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# PLODZIK & SANDERSON

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the Board of Selectmen and Town Manager  
Town of Hampton  
Hampton, New Hampshire

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Hampton as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and aggregate remaining fund information of the Town of Hampton as of December 31, 2014, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

**Required Supplementary Information** - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 7) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 37) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

***Town of Hampton  
Independent Auditor's Report***

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information** - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hampton's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of the Town of Hampton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hampton's internal control over financial reporting and compliance.



PLODZIK & SANDERSON  
Professional Association

December 14, 2015

## Management Discussion and Analysis

Having responsibility for the financial management of the Town of Hampton (“Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2014.

### ***Overview of Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Town of Hampton’s basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Hampton’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on most of the Town of Hampton’s assets and liabilities, with the difference between the two reported as *total net position*. Over time, increases or decreases in this net position may serve as a useful indicator of whether the financial condition of the Town of Hampton is improving or deteriorating.

The *statement of activities* presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the Town of Hampton include general government, public safety, roadways, cemetery, library, trust and capital reserve funds, grants, conservation, sanitation, culture and recreation.

**Fund financial statements.** A *fund* is a set of reports that is used to segregate specific activities. For example, Emergency Medical Services activity, which is paid from fees charged for ambulance services, is reported separately from the Cable Committee activity, which is paid from franchise fees paid by the local cable company. The Town of Hampton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Hampton can be divided into two categories: governmental or fiduciary funds.

**Governmental Funds.** *Governmental Funds* are used to report on the general operations of the town. They are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus only on current expenditures and revenue (*inflows and outflows of spendable resources this year*), as well as on balances (*of spendable resources*) available at the end of the fiscal year. Such information may be useful in evaluating a government’s current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Hampton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

***Fiduciary Funds.*** *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the Hampton town government, such as developer's performance bonds and school impact fees. Fiduciary funds are *not* reflected in the government-wide financial statements because these funds are not available to support the Town of Hampton's own programs. The accounting used for the fiduciary funds is much like that used for businesses.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* consisting of a comparison of budget to actual revenues and expenditures for the general fund.

### ***Government-wide Financial Analysis***

As noted earlier, net position may, over time serve as a useful indicator of a government's financial position. In the case of Hampton, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$55,492,729 at the close of the most recent fiscal year.

As required by GASB 34, the government-wide statement of net position does include the Town's capital assets and the accumulated depreciation on those assets; and the government-wide statement of activities does include depreciation expense related to those assets.

## Town of Hampton - Statement of Net Position

Governmental Activities		
	2014	2013
Current & other assets	\$ 44,631,172	\$ 42,992,586
Capital assets	50,806,212	51,619,706
Total assets	95,437,384	94,612,292
Deferred Outflows of Resources	153,863	-
Long-term liabilities outstanding	25,724,634	24,774,156
Other liabilities	14,297,328	17,237,273
Total liabilities	40,021,962	42,011,429
Deferred Inflows of resources	76,556	18,736
Net investment in capital assets	26,636,932	26,204,528
Restricted	18,719,387	18,073,623
Unrestricted	10,136,410	8,303,976
Total net position	\$ 55,492,729	\$ 52,582,127



Town of Hampton - Statement of Activities			
Governmental Activities			
	2014 Amount	2013 Amount	Difference
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,918,893	\$ 2,366,647	\$ (447,754)
Operating grants	1,961,053	482,291	1,478,762
General revenues:			
Taxes	19,352,192	19,247,465	104,727
Licenses and permits	3,318,394	3,081,602	236,792
Unrestricted grants	805,280	662,986	142,294
Miscellaneous	2,928,362	2,826,669	101,693
Total revenues	30,284,174	28,667,660	1,616,514
<b>Expenses:</b>			
General Government	\$ 8,546,958	\$ 7,380,615	\$ 1,166,343
Public Safety	9,025,679	8,701,779	323,900
Highways and Streets	3,824,523	2,150,519	1,674,004
Sanitation	2,990,724	3,294,479	(303,755)
Health	348,347	332,195	16,152
Welfare	38,677	40,324	(1,647)
Culture & Recreation	1,624,292	1,473,824	150,468
Conservation	48,377	43,489	4,888
Interest on long-term debt	878,214	657,331	220,883
Other Debt Service	62,116	-	62,116
Capital Outlay	-	-	-
Total governmental activities	27,387,907	24,074,555	3,313,352
Change in net position	2,896,267	4,593,105	(1,696,838)
Net Position, beginning	52,596,462	48,003,357	4,593,105
Net Position, ending	\$ 55,492,729	\$ 52,596,462	\$ 2,896,267

### General fund budgetary highlights

As shown in the above chart, revenues received during 2014 increased by \$1,616,514 from 2013. This is a 5% increase year over year and is explained by the receipt of a capitalization grant for Clean Water State Revolving Funds and additional State Aid for water pollution projects received in 2014. The actual **budgetary revenues** (see Exhibit D) were more than the budget estimate by \$77,794. In 2014 revenues were in line with budget. Charges for services reflect another banner year for parking lot revenues.

The overall, total governmental expenditures increased by \$3,313,352 (12.1%) over the prior year. This increase is related mostly to depreciation expense included in the current year expenditures related to recording the Town's capital assets which were previously unreported. Additionally there were increases in the General Government and Highways and Streets functions.

The actual **budgetary expenditures** (see Exhibit D) were less than the final budget for expenses by \$340,921 or 1.3% of budget.

In 2014 the total property valuation increased by \$30,049,600 or 1.08%. The total property tax commitment for 2014 was \$50,555,032 which was an increase of \$581,522 from the prior year causing the overall tax rate to remain the same at \$18.31. The Town's portion of the rate increased by \$0.20.

## Capital Assets and Debt Administration

**Capital Assets:** In 2014 we worked very hard to bring all capital assets onto the books. Although a large undertaking the end result is beneficial to the Town in that we are now fully compliant with GASB 34.

Capital Assets at Year-End - 2014		
	2014	2013
Land	\$ 14,281,608	\$ 14,281,608
Construction in Progress	3,228,631	9,916,257
Buildings & Improvements	28,818,598	23,062,208
Machinery, Equipment & Vehicles	9,122,217	8,374,807
Infrastructure	50,356,168	48,631,488
Totals at Historical Cost	105,807,222	104,266,368
Less: Accumulated Depreciation	(55,001,010)	(52,646,662)
Total Net Capital Assets	<u>\$ 50,806,212</u>	<u>\$ 51,619,706</u>

**Long Term Debt** At the end of the current fiscal year, the Town of Hampton had total debt outstanding of \$25,724,634 which is a 4.4% decrease from the \$26,855,999 owed at the end of 2013. In 2014 there was no "new" debt added. The Town did refund five separate bond issuances into one bond reducing the interest rate from an average of 4.39% to 2.18%. This resulted in an economic gain of \$438,123.

NH RSA 33:4-a established a debt limit. Towns may not incur outstanding indebtedness exceeding 3% of the town valuation (\$2,781,983,500) or **\$83,459,505**. Hampton's current debt is 31% of the maximum allowable, so it is well within its debt limit. Hampton has an allowed debt margin of \$57,734,871.

## Requests for information

This financial report is designed to provide a general overview of the Town of Hampton's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 100 Winnacunnet Road, Hampton, NH 03842.

## ***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Statement of Net Position*  
*December 31, 2014*

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 18,892,087
Investments	20,315,345
Taxes receivable (net)	3,045,144
Accounts receivable (net)	310,048
Intergovernmental receivable	2,023,194
Prepaid items	12,440
Tax dedeed property, subject to resale	32,914
Capital assets:	
Land and construction in progress	17,510,239
Other capital assets, net of depreciation	33,295,973
Total assets	<u>95,437,384</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Advanced refunding charges	<u>153,863</u>
<b>LIABILITIES</b>	
Accounts payable	650,313
Accrued salaries and benefits	81,010
Retainage payable	60,119
Accrued interest payable	89,617
Intergovernmental payable	13,260,156
Escrow and performance bonds	156,113
Long-term liabilities:	
Due within one year	2,170,858
Due in more than one year	23,553,776
Total liabilities	<u>40,021,962</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - Donations and grants	<u>76,556</u>
<b>NET POSITION</b>	
Net investment in capital assets	26,636,932
Restricted	18,719,387
Unrestricted	10,136,410
Total net position	<u><u>\$ 55,492,729</u></u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT B**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Statement of Activities*  
For the Fiscal Year Ended December 31, 2014

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change In
	Expenses	Services	Contributions	Net Position
General government	\$ 8,546,958	\$ 72,279	\$ -	\$ (8,474,679)
Public safety	9,025,679	1,145,115	25,124	(7,855,440)
Highways and streets	3,824,523	3,400	267,543	(3,553,580)
Sanitation	2,990,724	463,694	1,666,013	(861,017)
Health	348,347	-	-	(348,347)
Welfare	38,677	-	-	(38,677)
Culture and recreation	1,624,292	234,405	-	(1,389,887)
Conservation	48,377	-	2,373	(46,004)
Interest on long-term debt	878,214	-	-	(878,214)
Other debt service	62,116	-	-	(62,116)
Total governmental activities	<u>\$ 27,387,907</u>	<u>\$ 1,918,893</u>	<u>\$ 1,961,053</u>	<u>(23,507,961)</u>
General revenues:				
Taxes:				
Property				18,963,089
Other				389,103
Motor vehicle permit fees				3,012,648
Licenses and other fees				305,746
Grants and contributions not restricted to specific programs				805,280
Miscellaneous				<u>2,928,362</u>
Total general revenues				<u>26,404,228</u>
Change in net position				<u>2,896,267</u>
Net position, beginning, as restated (see Note 17)				<u>52,596,462</u>
Net position, ending				<u>\$ 55,492,729</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-1**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Governmental Funds*  
*Balance Sheet*  
*December 31, 2014*

	General	Permanent	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 18,055,228	\$ 191,258	\$ 645,601	\$ 18,892,087
Investments	1,649,962	18,665,383	-	20,315,345
Accounts receivable (net)	7,225	-	302,823	310,048
Taxes	3,132,484	-	-	3,132,484
Intergovernmental receivable	34,791	-	64,795	99,586
Interfund receivable	424,022	-	3,963	427,985
Voluntary tax liens	78,121	-	-	78,121
Voluntary tax liens reserved until collected	(78,121)	-	-	(78,121)
Prepaid items	103,673	-	10,166	113,839
Tax deeded property, subject to resale	32,914	-	-	32,914
Total assets	<u>\$ 23,440,299</u>	<u>\$ 18,856,641</u>	<u>\$ 1,027,348</u>	<u>\$ 43,324,288</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 639,802	\$ -	\$ 10,511	\$ 650,313
Accrued salaries and benefits	81,010	-	-	81,010
Intergovernmental payable	13,260,156	-	-	13,260,156
Interfund payable	3,963	166,801	257,221	427,985
Retainage payable	-	-	60,119	60,119
Escrow and performance deposits	156,113	-	-	156,113
Total liabilities	<u>14,141,044</u>	<u>166,801</u>	<u>327,851</u>	<u>14,635,696</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - Property taxes	903,664	-	-	903,664
Unavailable revenue - Donations and grants	76,556	-	-	76,556
Total deferred inflows of resources	<u>980,220</u>	<u>-</u>	<u>-</u>	<u>980,220</u>
<b>FUND BALANCES (DEFICIT)</b>				
Nonspendable	136,587	18,689,445	10,166	18,836,198
Restricted	177,250	395	85,886	263,531
Committed	2,547,860	-	604,032	3,151,892
Assigned	816,157	-	-	816,157
Unassigned (deficit)	4,641,181	-	(587)	4,640,594
Total fund balances	<u>8,319,035</u>	<u>18,689,840</u>	<u>699,497</u>	<u>27,708,372</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,440,299</u>	<u>\$ 18,856,641</u>	<u>\$ 1,027,348</u>	<u>\$ 43,324,288</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-2**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**December 31, 2014**

Total fund balances of governmental funds (Exhibit C-1)		\$ 27,708,372
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 105,807,222	
Less accumulated depreciation	<u>(55,001,010)</u>	
		50,806,212
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (427,985)	
Payables	<u>427,985</u>	
		-
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds		
Deferred inflows of resources - property taxes	\$ 903,664	
Allowance for uncollectible property taxes	<u>(87,340)</u>	
		816,324
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.		
Intergovernmental receivable (long-term portion)		1,923,608
The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources on the Statement of Net Position.		153,863
Bond principal and interest paid in advance of the due date is recorded as a prepaid item in the governmental funds, but reduces the principal liability and is recorded as an expense in the governmental activities.		
Prepaid principal and interest on debt		(101,399)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(89,617)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 23,563,022	
Unamortized bond premium	606,258	
Compensated absences	1,293,686	
Accrued landfill postclosure care costs	160,000	
Other postemployment benefits	<u>101,668</u>	
		<u>(25,724,634)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 55,492,729</u></u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-3**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2014**

	General	Permanent	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 19,335,934	\$ -	\$ 10,000	\$ 19,345,934
Licenses and permits	3,318,394	-	-	3,318,394
Intergovernmental	1,410,841	-	731,450	2,142,291
Charges for services	672,074	-	1,246,819	1,918,893
Miscellaneous	1,234,624	1,533,467	160,271	2,928,362
Total revenues	25,971,867	1,533,467	2,148,540	29,653,874
<b>EXPENDITURES</b>				
Current:				
General government	8,392,381	20,023	2	8,412,406
Public safety	7,831,895	-	1,009,923	8,841,818
Highways and streets	1,982,077	-	-	1,982,077
Sanitation	3,048,747	-	9	3,048,756
Health	348,347	-	-	348,347
Welfare	38,677	-	-	38,677
Culture and recreation	1,203,561	-	325,429	1,528,990
Conservation	43,252	-	5,125	48,377
Debt service:				
Principal	2,125,400	-	-	2,125,400
Interest	952,416	-	-	952,416
Capital outlay	476,658	-	793,444	1,270,102
Total expenditures	26,443,411	20,023	2,133,932	28,597,366
Excess (deficiency) of revenues over (under) expenditures	(471,544)	1,513,444	14,608	1,056,508
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	838,104	-	44,801	882,905
Transfers out	(190,401)	(692,504)	-	(882,905)
Proceeds from refunded bonds	5,484,000	-	-	5,484,000
Payments to currently refund bonds	(928,638)	-	-	(928,638)
Payments to advance refund bonds	(4,508,632)	-	-	(4,508,632)
Debt issuance costs	(46,730)	-	-	(46,730)
Total other financing sources (uses)	647,703	(692,504)	44,801	-
Net change in fund balances	176,159	820,940	59,409	1,056,508
Fund balances, beginning, as restated (see Note 17)	8,142,876	17,868,900	640,088	26,651,864
Fund balances, ending	\$ 8,319,035	\$ 18,689,840	\$ 699,497	\$ 27,708,372

The notes to the basic financial statements are an integral part of this statement.



*EXHIBIT C-4*  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended December 31, 2014*

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 1,056,508
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 1,540,854	
Depreciation expense	<u>(2,354,348)</u>	
		(813,494)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (882,905)	
Transfers out	<u>882,905</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ (29,346)	
Change in allowance for uncollectible property taxes	35,604	
Change in long-term intergovernmental receivable	<u>1,321,247</u>	
		1,327,505
Prepaid debt consumes current financial resources of governmental funds, but reduces net position on the government-wide statements.		
Prepaid debt, prior year	\$ 103,712	
Prepaid debt, current year	<u>(101,399)</u>	
		2,313
The difference between the reacquisition price and the net carrying amount of the old debt is not reported as an expenditure of the Statement of Activities.		153,863
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Proceeds of debt	\$ (6,181,205)	
Repayment of bond principal	7,393,421	
Amortization of bond premium	<u>33,682</u>	
		1,245,898
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 38,207	
Increase in compensated absences payable	(112,865)	
Increase in other postemployment benefits payable	(101,668)	
Decrease in accrued landfill postclosure care costs	<u>100,000</u>	
		(76,326)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 2,896,267</u></u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT D**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Schedule of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**General Fund**  
*For the Fiscal Year Ended December 31, 2014*

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 19,803,195	\$ 19,803,195	\$ 19,342,192	\$ (461,003)
Licenses and permits	2,994,845	2,994,845	3,318,394	323,549
Intergovernmental	1,225,780	1,225,780	1,410,841	185,061
Charges for services	519,884	519,884	558,882	38,998
Miscellaneous	1,268,801	1,268,801	1,259,990	(8,811)
Total revenues	<u>25,812,505</u>	<u>25,812,505</u>	<u>25,890,299</u>	<u>77,794</u>
<b>EXPENDITURES</b>				
Current:				
General government	8,340,180	8,394,823	8,394,981	(158)
Public safety	8,013,191	8,013,191	7,816,391	196,800
Highways and streets	2,229,781	2,175,138	2,127,748	47,390
Sanitation	3,120,077	3,120,077	2,933,253	186,824
Health	159,878	349,029	348,045	984
Welfare	246,036	56,885	38,677	18,208
Culture and recreation	1,162,612	247,329	334,909	(87,580)
Conservation	43,252	43,252	43,252	-
Debt service:				
Principal	2,158,760	2,158,760	2,117,737	41,023
Interest	900,038	900,038	952,416	(52,378)
Capital outlay	813,678	813,678	823,870	(10,192)
Total expenditures	<u>27,187,483</u>	<u>26,272,200</u>	<u>25,931,279</u>	<u>340,921</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,374,978)</u>	<u>(459,695)</u>	<u>(40,980)</u>	<u>418,715</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	646,300	556,300	849,521	293,221
Transfers out	(310,500)	(1,135,783)	(1,180,482)	44,699
Total other financing sources (uses)	<u>335,800</u>	<u>(579,483)</u>	<u>(330,961)</u>	<u>337,920</u>
Net change in fund balances	<u>\$ (1,039,178)</u>	<u>\$ (1,039,178)</u>	<u>(371,941)</u>	<u>\$ 756,635</u>
Increase in nonspendable fund balance			(32,166)	
Decrease in committed fund balance			28,678	
Decrease in assigned fund balance for abatement contingency			1,013,704	
Unassigned fund balance, beginning			4,819,230	
Unassigned fund balance, ending			<u>\$ 5,457,505</u>	

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT E**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Fiduciary Funds*  
*Statement of Fiduciary Net Position*  
*December 31, 2014*

	<u>Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 206,522
Investments	<u>796,107</u>
Total assets	<u>1,002,629</u>
<b>LIABILITIES</b>	
Due to other governmental units	<u>1,002,629</u>
<b>NET POSITION</b>	<u><u>\$ -</u></u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Hampton, New Hampshire (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

***1-A Reporting Entity***

The Town of Hampton is a municipal corporation governed by an elected 5-member Board of Selectmen and Town Manager. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

***1-B Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

***1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when

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payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Town reports the following major governmental funds:

**General Fund** – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

**Permanent Funds** – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the Town reports the following fund types:

**Special Revenue Funds** - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Capital Projects Funds** - are used to account for the financial resources and activities relating to specific construction projects.

**Fiduciary Fund Types** – These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. Fiduciary fund types are not part of the reporting entity in the government-wide financial statements, but are reported in a separate Statement of Fiduciary Net Position. These funds are as follows:

**Agency Fund** - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

**Nonmajor Funds** – The Town also reports thirteen nonmajor governmental funds.

***1-D Cash and Cash Equivalents***

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

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***1-E Investments***

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments for the Town are reported at fair value generally based on quoted market prices.

***1-F Receivables***

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

***1-G Interfund Balances***

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term Interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***1-H Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses as the items are used.

***1-I Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements.

Capital assets are defined by the Town as assets with an estimated minimum useful life in excess of one year and in excess of the following capitalization thresholds:

Land	All
Buildings	\$ 10,000
Machinery and equipment	\$ 5,000
Heavy equipment	\$ 25,000
Vehicles	\$ 10,000
Infrastructure	\$ 150,000

As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.



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Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<b>Capital Asset Classes:</b>	<u><b>Years</b></u>
Buildings and building improvements	10 - 50
Machinery, equipment, and vehicles	3 - 25
Infrastructure	25 - 50

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

***1-J Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time

***1-K Property Taxes***

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 12, 2014 and November 3, 2014. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Hampton School District, Winnacunnet Cooperative School District, Hampton Beach Village District, and Rockingham County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2014 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,672,700,100
For all other taxes	\$ 2,781,983,500

The tax rates and amounts assessed for the year ended December 31, 2014 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$7.24	\$ 20,129,289
School portion:		
State of New Hampshire	\$2.52	6,747,842
Local	\$7.45	20,728,074
County portion	\$1.10	3,057,519
Total	<u>\$18.31</u>	<u>\$ 50,662,724</u>
Precinct portions:		
Hampton Beach Village - exempt	\$0.13	\$ 80,708
Hampton Beach Village - nonexempt	\$0.51	\$ 276,335

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
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***1-L Compensated Absences***

***Vacation*** - The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

***Sick Leave*** - Accumulated sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists. The liability for compensated absences includes salary-related benefits, where applicable.

***1-M Long-Term Obligations***

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

***1-N Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

***1-O Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***Interfund Transfers*** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

***1-P Net Position/Fund Balance Reporting***

***Government-wide Statements*** – Equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds and notes that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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**Fund Balance Classifications** - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town's governmental fund financial statements are as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

**Unassigned** – This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A Budgetary Information**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund and nonmajor police forfeiture fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2014, \$1,039,178 of the beginning general fund unassigned fund balance was applied for this purpose.

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**2-B Budgetary Reconciliation to GAAP Basis**

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 26,739,820
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	87,826
Net effect of eliminated and recognized transfers of the blended funds	(11,417)
Change in property tax revenue relating to 60-day revenue recognition	29,346
Change in allowance for uncollectible property taxes	(35,604)
Proceeds from refunded bonds	5,484,000
Per Exhibit C-3 (GAAP basis)	<u>\$ 32,293,971</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 27,111,761
Adjustment:	
Basis differences:	
Encumbrances, beginning	551,994
Encumbrances, ending	(925,873)
GASB Statement No. 54:	
To record expendable trust expenditures during the year	886,011
Net effect of eliminated and recognized transfers of the blended funds	(990,081)
Payments to currently refund bonds	928,638
Payments to advance refund bonds	4,508,632
Debt issuance costs relating to refunding	46,730
Per Exhibit C-3 (GAAP basis)	<u>\$ 32,117,812</u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At December 31, 2014, the reported amount of the Town's deposits was \$19,098,609 and the bank balance was \$19,720,858. Of the bank balance \$19,518,106 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name, and \$202,752 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 18,892,087
Cash per Statement of Fiduciary Net Position (Exhibit E)	206,522
Total cash and cash equivalents	<u>\$ 19,098,609</u>

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**NOTE 4 – INVESTMENTS**

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments.

At December 31, 2014, this Town had the following investments and maturities:

	<u>Fair Value</u>	<u>6-10 Years</u>	<u>After 10 Years</u>	<u>Totals</u>
Investments type:				
Stocks	\$ 415	\$ -	\$ -	\$ 415
Fixed income exchange traded funds	871,645	-	-	871,645
Equity exchange traded funds	8,077,409	-	-	8,077,409
Fixed income mutual funds	8,849,617	-	-	8,849,617
Equity mutual funds	1,336,361	-	-	1,336,361
Corporate bonds	-	469,606	530,838	1,000,444
Municipal bonds	-	74,909	900,652	975,561
Total fair value	<u>\$ 19,135,447</u>	<u>\$ 544,515</u>	<u>\$ 1,431,490</u>	<u>\$ 21,111,452</u>

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

**Credit Risk** – As of December 31, 2014, the Town's investments in corporate and municipal bonds had the following ratings:

	<u>Amount</u>	<u>Rating*</u>
Municipal Bonds:		
Guam Govt Business Priv. Tax	\$ 74,909	NR
Maryland St. Health & Higher Ed	124,590	A2
Missouri St. Dev Fin Brd Infrs	104,368	NR
Montgomery Cnty PA Redev Auth	65,433	Aa1
Montgomery Ohio SPL Oblig Rev	121,990	Aa2
Normandy Park Washington	59,294	NR
Pittsburgh & Allegheny Cnty PA	121,477	NR
Reading PA	152,066	NR
University of NC Charlotte	151,434	Aa3
	<u>975,561</u>	
Corporate Bonds:		
Baxter international	50,382	A3
BB&T BRH Bkg & Tr	101,954	NR
Bristol Myers Squibb Company	56,083	A2
Credit Suisse New York	127,155	NR
General Electric Capital Corp	185,552	A1
Mark & McLennan Cos Inc	125,795	NR
Nucor Corp	78,549	Baa1
Wells Fargo	274,974	A3
	<u>1,000,444</u>	
Total bonds	<u>\$ 1,976,005</u>	

\*Per Moody's

**Custodial Credit Risk** – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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**Concentration of Credit Risk** – The Town places no limit on the amount it may invest in any one issuer. None of the Town’s investment in any one issuer exceeds 5% of the total investment balance.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 20,315,345
Investments per Statement of Fiduciary Net Position (Exhibit E)	<u>796,107</u>
Total investments	<u><u>\$ 21,111,452</u></u>

**NOTE 5 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2014. The amount has been reduced by an allowance for an estimated uncollectible amount of \$87,340. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2014	\$ 2,252,435	\$ 2,252,435
Unredeemed (under tax lien):		
Levy of 2013	540,112	540,112
Levy of 2012	295,023	295,023
Levies of 2011 and prior	44,914	44,914
Less: allowance for estimated uncollectible taxes	<u>(87,340) *</u>	<u>-</u>
Net taxes receivable	<u><u>\$ 3,045,144</u></u>	<u><u>\$ 3,132,484</u></u>

\*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60 day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

**NOTE 6 – OTHER RECEIVABLES**

Receivables at December 31, 2014, consisted of accounts (billings for police details, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2014 for the Town’s individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 7,225	\$ 1,475,749	\$ 1,482,974
Intergovernmental	<u>34,791</u>	<u>64,795</u>	<u>99,586</u>
Gross receivables	42,016	1,540,544	1,582,560
Less: allowance for uncollectibles	<u>-</u>	<u>(1,172,926)</u>	<u>(1,172,926)</u>
Net total receivables	<u><u>\$ 42,016</u></u>	<u><u>\$ 367,618</u></u>	<u><u>\$ 409,634</u></u>

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**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014 consisted of the following:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 14,281,608	\$ -	\$ -	\$ 14,281,608
Construction in progress	9,916,257	700,620	(7,388,246)	3,228,631
Total capital assets not being depreciated	24,197,865	700,620	(7,388,246)	17,510,239
Being depreciated:				
Buildings and building improvements	23,062,208	5,756,390	-	28,818,598
Machinery, equipment, and vehicles	8,374,807	747,410	-	9,122,217
Infrastructure	48,631,488	1,724,680	-	50,356,168
Total capital assets being depreciated	80,068,503	8,228,480	-	88,296,983
Total all capital assets	104,266,368	8,929,100	(7,388,246)	105,807,222
Less accumulated depreciation:				
Buildings and building improvements	(16,488,118)	(590,235)	-	(17,078,353)
Machinery, equipment, and vehicles	(4,729,390)	(667,302)	-	(5,396,692)
Infrastructure	(31,429,154)	(1,096,811)	-	(32,525,965)
Total accumulated depreciation	(52,646,662)	(2,354,348)	-	(55,001,010)
Net book value, capital assets being depreciated	27,421,841	5,874,132	-	33,295,973
Net book value, all capital assets	\$ 51,619,706	\$ 6,574,752	\$ (7,388,246)	\$ 50,806,212

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 25,662
Public safety	465,690
Highways and streets	1,841,807
Culture and recreation	21,189
Total depreciation expense	<u>\$ 2,354,348</u>

**NOTE 8 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of December 31, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Permanent	\$ 166,801
	Nonmajor	257,221
Nonmajor	General	3,963
		<u>\$ 427,985</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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**Interfund Transfers** - The composition of interfund transfers for the year ended December 31, 2014 is as follows:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 44,801	\$ 44,801
Permanent fund	838,104	-	838,104
Total	<u>\$ 838,104</u>	<u>\$ 44,801</u>	<u>\$ 882,905</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

**NOTE 9 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$14,262,785 at December 31, 2014 consist of the following:

General fund:	
Balance of the district assessment due to the Hampton School District	\$ 8,967,052
Balance of the district assessment due to the Winnacunnet Cooperative School District	4,292,339
Miscellaneous fees due to the State of New Hampshire	765
Total general fund	<u>13,260,156</u>
Agency fund:	
Balance of the district assessment due to the Hampton School District	421,548
Balance of the district assessment due to the Winnacunnet Cooperative School District	562,438
Balance due to the Hampton Beach Village District	18,643
Total agency fund	<u>1,002,629</u>
Total intergovernmental payables due	<u>\$ 14,262,785</u>

**NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of \$153,863 reported in the governmental activities at December 31, 2014 consist of deferred charges on long-term bond refunding resulting from the reacquisition price being in excess of the net carrying amount of the refunded debt.

Deferred inflows of resources reported in the governmental funds as unavailable revenue are as follows:

	General Fund
Property taxes not collected within 60 days of the fiscal year-end	\$ 903,664 *
Grants and donations advance of eligible expenditures being made	76,556
Total deferred inflows of resources	<u>\$ 980,220</u>

\*Balance is not recognized on the full accrual basis of accounting (Exhibit A).

**NOTE 11 – DEBT REFUNDING**

On July 16, 2014 the Town issued \$5,484,000 of general obligation refunding bonds, with an average interest rate of 2.18%. The net proceeds of \$5,437,270, after issuance costs of \$46,730 were used to refund five separate bond issuances with total principal of \$5,268,021 and average interest rates of 4.39%.

The reacquisition price was more than the net carrying amount of the refunded debt by \$169,249. This amount is being reported as a deferred outflow of resources and is being amortized over the remaining life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next 10 years by \$529,472 and resulted in an economic gain of \$438,123.



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**NOTE 12 – LONG-TERM LIABILITIES**

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2014:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 24,775,238	\$ 6,181,205	\$ (7,393,421)	\$ 23,563,022	\$ 2,129,177
Premium	639,940	-	(33,682)	606,258	33,681
Total bonds payable	25,415,178	6,181,205	(7,427,103)	24,169,280	2,162,858
Compensated absences	1,180,821	112,865	-	1,293,686	-
Accrued landfill postclosure care costs	260,000	-	(100,000)	160,000	8,000
Net other postemployment benefits	-	101,668	-	101,668	-
Total long-term liabilities	<u>\$ 26,855,999</u>	<u>\$ 6,395,738</u>	<u>\$ (7,527,103)</u>	<u>\$ 25,724,634</u>	<u>\$ 2,170,858</u>

Long-term liabilities are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2014	Current Portion
General obligation bonds payable:						
Wastewater treatment plant	\$ 1,398,340	1999	2019	3.80	\$ 343,290	\$ 68,658
SRF	4,305,000	2005	2019	3.62	755,000	385,000
WWTP upgrade	4,750,000	2005	2024	3.69	2,375,000	237,500
Hurd Farm easement	2,005,000	2005	2025	4.00	99,148	99,148
Beach infrastructure	692,000	2005	2025	4.07	35,852	35,852
Kings' Highway	1,731,411	2007	2026	3.35	1,038,846	86,571
Beach infrastructure	4,582,257	2007	2026	3.49	2,749,356	229,113
WWTP upgrade	1,380,251	2008	2028	3.35	897,164	-
Recycling equipment	1,292,300	2011	2016	3.50	478,202	269,672
Library Unitil	40,048	2012	2022	N/A	30,036	4,005
Library Unitil	36,581	2012	2022	N/A	28,350	3,658
Fire substation	5,116,800	2013	2032	5.10	4,845,000	270,000
Various bond refundings	5,484,000	2014	2024	2.15	5,423,000	440,000
Wastewater treatment plant*	1,242,222				1,242,222	-
Church Street pumping station*	3,222,556				3,222,556	-
Total					<u>23,563,022</u>	<u>2,129,177</u>
Bond premium					<u>606,258</u>	<u>33,681</u>
Compensated absences payable:						
Vested sick leave					562,328	-
Accrued vacation leave					157,383	-
Other					573,975	-
					<u>1,293,686</u>	<u>-</u>
Accrued landfill postclosure care costs payable					<u>160,000</u>	<u>8,000</u>
Net other postemployment benefits					<u>101,668</u>	<u>-</u>
					<u>\$ 25,724,634</u>	<u>\$ 2,170,858</u>

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The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2014, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2015	\$ 2,129,177	\$ 634,867	\$ 2,764,044
2016	2,020,048	615,848	2,635,896
2017	1,572,518	554,792	2,127,310
2018	1,568,518	501,426	2,069,944
2019	1,557,518	429,413	1,986,931
2020-2024	7,198,051	1,421,639	8,619,690
2025-2029	2,257,414	443,639	2,701,053
2030-2032	795,000	81,090	876,090
Totals	<u>\$ 19,098,244</u>	<u>\$ 4,682,714</u>	<u>\$ 23,780,958</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

**\*Water Pollution Control Revolving Loan Fund Program** – Drawdowns received under the Water Pollution Control Revolving Loan Fund Program will be consolidated by promissory notes upon substantial completion of the wastewater treatment facility and the Church Street pumping station. As of December 31, 2014, drawdowns received to date totaling \$4,464,778 are recorded on the Town's financial statements. Interest on the drawdowns accrues from the date of the drawdown at 1.00% per annum. The notes, plus interest, will be repaid from the Town's governmental funds.

**Accrued Landfill Postclosure Care Costs** – The Town ceased operating its landfill in prior years. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$160,000 as of December 31, 2014. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2014. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

**NOTE 13 – ENCUMBRANCES**

Encumbrances outstanding at December 31, 2014 are as follows:

General fund:	
General government	\$ 31,714
Public safety	79,252
Highways and streets	283,537
Sanitation	4,500
Culture and recreation	8,192
Capital outlay	518,678
Total encumbrances	<u>\$ 925,873</u>

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**NOTE 14 – STATE AID TO WATER POLLUTION PROJECTS**

The Town is due to receive from the State of New Hampshire the following amounts in the form of state aid to water pollution projects:

Bonds Issued	Principal	Interest	Total
Sewer construction loaned (C-496)	\$ 26,398	\$ 1,223	\$ 27,621
Wastewater treatment facility upgrade (C-715)	499,610	101,341	600,951
King's Highway/Facility Plan (C-812)	311,654	99,243	410,897
WWTP improvements (C-813)	262,248	87,906	350,154
Beach area sewers (C-823)	823,698	272,940	1,096,638
Total	<u>\$ 1,923,608</u>	<u>\$ 562,653</u>	<u>\$ 2,486,261</u>

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At December 31, 2014 the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending December 31,	Principal	Interest	Total
2015	\$ 153,236	\$ 67,617	\$ 220,853
2016	126,838	61,911	188,749
2017	126,838	57,429	184,267
2018	126,838	52,949	179,787
2019	126,838	48,466	175,304
2020-2024	634,190	175,107	809,297
2025-2029	384,390	81,489	465,879
2030-2033	244,440	17,685	262,125
Totals	<u>\$ 1,923,608</u>	<u>\$ 562,653</u>	<u>\$ 2,486,261</u>

**NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2014 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 50,806,212
Less:	
General obligation bonds payable	(23,563,022)
Unamortized bond premiums	(606,258)
Total net investment in capital assets	<u>26,636,932</u>
Restricted:	
Nonexpendable permanent funds	18,689,445
Expendable permanent funds	395
Capital projects	29,547
	<u>18,719,387</u>
Unrestricted	<u>10,136,410</u>
Total net position	<u>\$ 55,492,729</u>

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**NOTE 16 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2014 include the following:

**Nonspendable:**

Major funds:

General:

Prepaid items \$ 136,587

Permanent:

Principal portion 18,689,445

Nonmajor fund:

Recreation fund:

Prepaid items 10,166

Total nonspendable fund balance \$ 18,836,198

**Restricted**

Major funds:

General:

Library \$ 165,019

Police grants 12,231

177,250

Permanent:

Income portion 395

Nonmajor funds:

Cemetery trustees 1,253

Sewer connection fees 55,086

Church street pumping station 28,878

Fire station 669

85,886

Total restricted fund balance 263,531

**Committed:**

Major fund:

General:

Expendable trust \$ 1,548,973

Encumbrances 753,678

Recreation infrastructure 245,209

2,547,860

Nonmajor funds:

Conservation commission 136,379

Emergency medical 171,914

Police detail 141,660

Recreation 99,376

Cable TV 49,376

Heritage commission 5,327

604,032

Total committed fund balance 3,151,892

**Assigned:**

Major fund:

General:

Encumbrances \$ 172,195

Abatement contingency 600,000

Fire alarm 2,346

Beach infrastructure 41,616

Total assigned fund balance 816,157

(Continued)

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
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*Governmental fund balances continued:*

<b>Unassigned:</b>	
Major fund:	
General	\$ 4,641,181
Nonmajor fund:	
Police forfeiture (deficit)	(587)
Total unassigned fund balance	4,640,594
Total governmental fund balances	<u>\$ 27,708,372</u>

**NOTE 17 – PRIOR PERIOD ADJUSTMENTS**

Net position/fund balance at January 1, 2014 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund	Permanent Fund	Other Governmental Funds
To record change in methodology for deferred inflows relating to property taxes not collected within 60 days of year end	\$ -	\$ 1,493,611	\$ -	\$ -
To record expendable trust interfund balances, not reflected in prior year financial statements	9,960	123,755	(113,795)	-
To record opening balances of capital assets and related accumulated depreciation	51,619,706	-	-	-
To reclassify special revenue fund previously recorded as an agency fund	4,375	-	-	4,375
Net position/fund balance, as previously reported	962,421	6,525,510	17,982,695	635,713
Net position/fund balance, as restated	<u>\$ 52,596,462</u>	<u>\$ 8,142,876</u>	<u>\$ 17,868,900</u>	<u>\$ 640,088</u>

**NOTE 18 – DEFICIT FUND BALANCES**

The police forfeiture special revenue fund had a deficit fund balance of \$587 at December 31, 2014. This deficit will be financed through future revenues of the fund.

**NOTE 19 – EMPLOYEE RETIREMENT PLAN**

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2014, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2014 for pension and medical subsidy were 25.30% for police officers, 27.74% for firefighters, and 10.77% for all other employees.

The contribution requirements for the Town of Hampton for the fiscal years 2012, 2013, and 2014 were \$1,573,456, \$1,817,192, and \$2,063,010, respectively, which were paid in full in each year.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2014**

**NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, was implemented by the Town during fiscal year 2014, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2014:

Annual required contribution/OPEB cost	\$ 379,357
Contributions made (pay-as-you-go)	<u>(277,689)</u>
Increase in net OPEB obligation	101,668
Net OPEB obligation, beginning	<u>-</u>
Net OPEB obligation, ending	<u><u>\$ 101,668</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2014	\$ 379,357	\$ 277,689	73.2%	\$ 101,668

As of January 1, 2014, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$4,289,629, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,289,629. The covered payroll (annual payroll of active employees covered by the plan) was \$10,493,557 during fiscal year 2014, and the ratio of the UAAL to the covered payroll was 40.88%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return per annum. The projected annual healthcare cost trend is 7% initially, reduced by decrements to an ultimate rate of 5% after 10 years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at January 1, 2014 was 30 years.

**NOTE 21 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2014, the Town was a member of the Local Government Center Property-Liability Trust, LLC Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending December 31, 2014, to be recorded as an insurance expenditure totaled \$244,533. The Town also paid \$548,559 for workers' compensation for the year ended December 31, 2014. There were no unpaid contributions for the year ended December 31, 2014.

**NOTE 22 – CONTINGENCIES**

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

**NOTE 23 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

The following GASB pronouncements were implemented by the Town for the fiscal year ended December 31, 2014, which included the early implementation of GASB Statement No. 65. Only GASB Statement No. 63 and GASB Statement No. 65 impacted these financial statements:

**GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62***, issued March 2012. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

**GASB Statement No. 67, *Financial Reporting for Pension Plans***, issued in June 2012. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

**GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

**GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, issued in January 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

**GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees***, issued in April 2013, will be effective for the Town beginning with the fiscal year ending December 31, 2015. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

**GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date***, issued in November 2013, should be implemented simultaneously with the provision of Statement No. 68, beginning with the fiscal year ending December 31, 2015. This Statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defend benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

***TOWN OF HAMPTON, NEW HAMPSHIRE***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
***AS OF AND FOR THE FISCAL YEAR ENDED***  
***DECEMBER 31, 2014***

***NOTE 24 – SUBSEQUENT EVENTS***

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 14, 2015, the date the December 31, 2014 financial statements were available to be issued, and no events occurred that require recognition or disclosure.



***REQUIRED SUPPLEMENTARY INFORMATION***

*EXHIBIT F*  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Schedule of Funding Progress for Other Postemployment Benefit Plan*  
*For the Fiscal Year Ended December 31, 2014*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
January 1, 2014	\$ -	\$ 4,289,629	\$ 4,289,629	0.00%	\$ 10,493,557	40.88%

The note to the required supplementary information is an integral part of this schedule.

***TOWN OF HAMPTON, NEW HAMPSHIRE***  
***NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION***  
***FOR THE FISCAL YEAR ENDED***  
***DECEMBER 31, 2014***

***Schedule of Funding Progress for Other Postemployment Benefits (OPEB)***

As required by GASB Statement No. 45, Exhibit F represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended December 31, 2014.

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2014*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 19,428,195	\$ 18,963,089	\$ (465,106)
Land use change	-	253	253
Payment in lieu of taxes	-	1,327	1,327
Interest and penalties on taxes	375,000	377,523	2,523
Total from taxes	19,803,195	19,342,192	(461,003)
Licenses, permits, and fees:			
Business licenses, permits, and fees	8,200	7,250	(950)
Motor vehicle permit fees	2,782,745	3,012,648	229,903
Building permits	175,000	261,007	86,007
Other	28,900	37,489	8,589
Total from licenses, permits, and fees	2,994,845	3,318,394	323,549
Intergovernmental:			
State:			
Meals and rooms distribution	722,150	722,150	-
Highway block grant	266,584	267,543	959
Water pollution grants	174,658	338,018	163,360
Other	62,388	76,188	13,800
Federal:			
Other	-	6,942	6,942
Total from intergovernmental	1,225,780	1,410,841	185,061
Charges for services:			
Income from departments	519,884	558,882	38,998
Miscellaneous:			
Sale of municipal property	10,800	17,158	6,358
Interest on investments	2,000	6,084	4,084
Rent of property	395,423	406,731	11,308
Fines and forfeits	164,906	26,616	(138,290)
Insurance dividends and reimbursements	121,761	235,221	113,460
Other	573,911	568,180	(5,731)
Total from miscellaneous	1,268,801	1,259,990	(8,811)
Other financing sources:			
Transfers in	556,300	849,521	293,221
Total revenues and other financing sources	26,368,805	\$ 26,739,820	\$ 371,015
Unassigned fund balance used to reduce tax rate	1,039,178		
Total revenues, other financing sources, and use of fund balance	\$ 27,407,983		

**SCHEDULE 2**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2014*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 20,000	\$ 171,925	\$ 208,212	\$ 600	\$ (16,887)
Election and registration	659	233,127	219,774	13,300	712
Financial administration	-	882,188	885,901	13,935	(17,648)
Legal	-	238,536	201,241	-	37,295
Personnel administration	-	2,776,227	2,830,682	-	(54,455)
Planning and zoning	-	117,511	107,479	-	10,032
General government buildings	3,390	100,055	97,669	-	5,776
Cemeteries	-	126,271	123,191	-	3,080
Insurance, not otherwise allocated	-	3,659,894	3,628,182	-	31,712
Other	5,065	89,089	90,050	3,879	225
Total general government	29,114	8,394,823	8,392,381	31,714	(158)
Public safety:					
Police	34,661	3,921,937	3,823,602	32,133	100,863
Fire	58,591	3,402,267	3,320,440	47,119	93,299
Building inspection	-	212,387	194,527	-	17,860
Emergency management	-	1,000	-	-	1,000
Other	-	475,600	491,822	-	(16,222)
Total public safety	93,252	8,013,191	7,830,391	79,252	196,800
Highways and streets:					
Public works garage	101,701	1,319,568	1,383,940	21,599	15,730
Highways and streets	32,165	651,570	374,675	261,938	47,122
Street lighting	4,000	204,000	223,462	-	(15,462)
Total highways and streets	137,866	2,175,138	1,982,077	283,537	47,390
Sanitation:					
Administration	8,480	1,361,257	1,479,026	-	(109,289)
Solid waste collection	-	570,196	484,348	-	85,848
Solid waste disposal	1,400	984,624	999,653	500	(14,129)
Other	110,114	204,000	85,720	4,000	224,394
Total sanitation	119,994	3,120,077	3,048,747	4,500	186,824
Health:					
Pest control	302	159,878	159,196	-	984
Health agencies	-	189,151	189,151	-	-
Total health	302	349,029	348,347	-	984
Welfare:					
Administration	-	56,885	38,677	-	18,208
Culture and recreation:					
Parks and recreation	-	242,029	321,734	8,192	(87,897)
Patriotic purposes	-	1,800	1,983	-	(183)
Other	-	3,500	3,000	-	500
Total culture and recreation	-	247,329	326,717	8,192	(87,580)
Conservation	-	43,252	43,252	-	-

(Continued)

*SCHEDULE 2 (Continued)*  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Major General Fund*  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2014*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	2,158,760	2,117,737	-	41,023
Interest on long-term debt	-	890,038	952,416	-	(62,378)
Interest on tax anticipation notes	-	10,000	-	-	10,000
Total debt service	-	3,058,798	3,070,153	-	(11,355)
Capital outlay	171,466	813,678	476,658	518,678	(10,192)
Other financing uses:					
Transfers out	-	1,135,783	1,180,482	-	(44,699)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 551,994	\$ 27,407,983	\$ 26,737,882	\$ 925,873	\$ 296,222

**SCHEDULE 3**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended December 31, 2014**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 4,819,230
Changes:		
Unassigned fund balance used to reduce 2014 tax rate		(1,039,178)
2014 Budget summary:		
Revenue surplus (Schedule 1)	\$ 371,015	
Unexpended balance of appropriations (Schedule 2)	<u>296,222</u>	
2014 Budget surplus		667,237
Increase in nonspendable fund balance		(32,166)
Decrease in committed fund balance		28,678
Decrease in assigned fund balance for abatement contingency		<u>1,013,704</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis, Exhibit D)		5,457,505
<b>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</b>		
To record deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(903,664)
To remove the allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		<u>87,340</u>
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		<u><u>\$ 4,641,181</u></u>



**SCHEDULE 4**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**December 31, 2014**

	Special Revenue Funds					
	Cemetery Trustees	Conservation Commission	Sewer Connector Fees	Emergency Medical	Police Detail	Recreation
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,253	\$ 133,366	\$ 55,086	\$ -	\$ 123,103	\$ 105,570
Accounts receivable (net)	-	-	-	284,266	18,557	-
Intergovernmental receivable	-	-	-	-	-	-
Interfund receivable	-	3,013	-	-	-	-
Prepaid items	-	-	-	-	-	10,166
Total assets	<u>\$ 1,253</u>	<u>\$ 136,379</u>	<u>\$ 55,086</u>	<u>\$ 284,266</u>	<u>\$ 141,660</u>	<u>\$ 115,736</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,808	\$ -	\$ 6,194
Interfund payable	-	-	-	110,544	-	-
Retainage payable	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,352</u>	<u>-</u>	<u>6,194</u>
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable	-	-	-	-	-	10,166
Restricted	1,253	-	55,086	-	-	-
Committed	-	136,379	-	171,914	141,660	99,376
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances (deficit)	<u>1,253</u>	<u>136,379</u>	<u>55,086</u>	<u>171,914</u>	<u>141,660</u>	<u>109,542</u>
Total liabilities and fund balances	<u>\$ 1,253</u>	<u>\$ 136,379</u>	<u>\$ 55,086</u>	<u>\$ 284,266</u>	<u>\$ 141,660</u>	<u>\$ 115,736</u>

Special Revenue Funds			Capital Project Funds				
Cable TV	Police Forfeiture	Heritage Commission	Wastewater Treatment Plant	Beach Infrastructure	Church Street Pumping Station	Fire Station	Total
\$ 49,760	\$ 20,315	\$ 4,377	\$ -	\$ 8,305	\$ 51,814	\$ 92,652	\$ 645,601
-	-	-	-	-	-	-	302,823
-	-	-	7,759	-	57,036	-	64,795
-	-	950	-	-	-	-	3,963
-	-	-	-	-	-	-	10,166
<u>\$ 49,760</u>	<u>\$ 20,315</u>	<u>\$ 5,327</u>	<u>\$ 7,759</u>	<u>\$ 8,305</u>	<u>\$ 108,850</u>	<u>\$ 92,652</u>	<u>\$ 1,027,348</u>
\$ 384	\$ -	\$ -	\$ -	\$ -	\$ 2,125	\$ -	\$ 10,511
-	20,902	-	7,759	-	26,033	91,983	257,221
-	-	-	-	8,305	51,814	-	60,119
<u>384</u>	<u>20,902</u>	<u>-</u>	<u>7,759</u>	<u>8,305</u>	<u>79,972</u>	<u>91,983</u>	<u>327,851</u>
-	-	-	-	-	-	-	10,166
-	-	-	-	-	28,878	669	85,886
49,376	-	5,327	-	-	-	-	604,032
-	(587)	-	-	-	-	-	(587)
<u>49,376</u>	<u>(587)</u>	<u>5,327</u>	<u>-</u>	<u>-</u>	<u>28,878</u>	<u>669</u>	<u>699,497</u>
<u>\$ 49,760</u>	<u>\$ 20,315</u>	<u>\$ 5,327</u>	<u>\$ 7,759</u>	<u>\$ 8,305</u>	<u>\$ 108,850</u>	<u>\$ 92,652</u>	<u>\$ 1,027,348</u>

**SCHEDULE 5**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2014**

	Special Revenue Funds					
	Cemetery Trustees	Conservation Commission	Sewer Connector Fees	Emergency Medical	Police Detail	Recreation
<b>Revenues:</b>						
Taxes	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	2,373	-	25,124	-	-
Charges for services	-	-	55,093	595,785	401,394	194,547
Miscellaneous	-	5,378	2	-	-	24,699
Total revenues	-	17,751	55,095	620,909	401,394	219,246
<b>Expenditures:</b>						
Current:						
General government	2	-	-	-	-	-
Public safety	-	-	-	627,189	382,734	-
Sanitation	-	-	9	-	-	-
Culture and recreation	-	-	-	-	-	212,901
Conservation	-	5,125	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	2	5,125	9	627,189	382,734	212,901
Excess (deficiency) of revenues over (under) expenditures	(2)	12,626	55,086	(6,280)	18,660	6,345
<b>Other financing sources:</b>						
Transfers in	-	-	-	-	-	102
Net change in fund balances	(2)	12,626	55,086	(6,280)	18,660	6,447
Fund balances, beginning	1,255	123,753	-	178,194	123,000	103,095
Fund balances, ending	\$ 1,253	\$ 136,379	\$ 55,086	\$ 171,914	\$ 141,660	\$ 109,542

Special Revenue Funds			Capital Project Funds				
Cable TV	Police Forfeiture	Heritage Commission	Wastewater Treatment Plant	Beach Infrastructure	Church Street Pumping Station	Fire Station	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
-	-	-	11,333	-	692,620	-	731,450
-	-	-	-	-	-	-	1,246,819
78,595	30	952	33	-	50,562	20	160,271
78,595	30	952	11,366	-	743,182	20	2,148,540
-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	1,009,923
-	-	-	-	-	-	-	9
112,528	-	-	-	-	-	-	325,429
-	-	-	-	-	-	-	5,125
-	-	-	3,801	15,941	700,619	73,083	793,444
112,528	-	-	3,801	15,941	700,619	73,083	2,133,932
(33,933)	30	952	7,565	(15,941)	42,563	(73,063)	14,608
-	-	-	44,699	-	-	-	44,801
(33,933)	30	952	52,264	(15,941)	42,563	(73,063)	59,409
83,309	(617)	4,375	(52,264)	15,941	(13,685)	73,732	640,088
\$ 49,376	\$ (587)	\$ 5,327	\$ -	\$ -	\$ 28,878	\$ 669	\$ 699,497

***SINGLE AUDIT ACT SCHEDULES  
AND INDEPENDENT AUDITOR'S REPORTS***



## PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

### ***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

To the Members of the Board of Selectmen  
Town of Hampton  
Hampton, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Hampton, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town of Hampton's basic financial statements, and have issued our report thereon dated December 14, 2015.

#### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Hampton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hampton's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hampton's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Hampton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sheryl A. Pratt, CPA*  
PLODZIK & SANDERSON  
Professional Association

December 14, 2015



## **PLODZIK & SANDERSON**

*Professional Association/Accountants & Auditors*

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### ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133***

To the Members of the Board of Selectmen  
Town of Hampton  
Hampton, New Hampshire

#### ***Report on Compliance for Each Major Federal Program***

We have audited the Town of Hampton's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Hampton's major federal program for the year ended December 31, 2014. The Town of Hampton's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Town of Hampton's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Hampton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town of Hampton's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the Town of Hampton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

#### ***Report on Internal Control over Compliance***

Management of the Town of Hampton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Hampton's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Hampton's internal control over compliance.

***Town of Hampton***

***Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control  
Over Compliance Required by OMB Circular A-133***

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Sheryl A. Platt, CPA*

December 14, 2015

PLODZIK & SANDERSON  
Professional Association



**SCHEDULE I**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2014**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified?        yes   X   none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in  
accordance with Section 510(a) of OMB Circular A-133?        yes   X   no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and  
type B programs: \$300,000

Auditee qualified as low-risk auditee?        yes   X   no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**NONE**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**NONE**

**SCHEDULE II**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended December 31, 2014*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through the New Hampshire Community Development Finance Authority			
Community Challenge Planning Grant Program	14.704	N/A	\$ 5,025
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through the New Hampshire Highway Safety Agency			
State and Community Highway Safety	20.600	315-15A-056	1,917
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed Through the New Hampshire Department of Environmental Services			
Capitalization Grants for Clean Water State Revolving Funds: <i>(note 3)</i>			
Sludge Handling Improvements to the WWTP	66.458	CS-330195-11	3,806
Church Street Pump Station Upgrade	66.458	CS-330195-12	574,875
<i>PROGRAM TOTAL</i>			578,681
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through the New Hampshire Department of Safety			
Homeland Security Grant Program	97.067	N/A	25,124
<b>DIRECT FUNDING</b>			
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Wildlife Habitat Incentive Program	10.914	N/A	2,373
<i>Total Expenditures of Federal Awards</i>			\$ 613,120

The accompanying notes are an integral part of this schedule.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

***Note 1. Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal grant activity of the Town of Hampton under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town of Hampton, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Hampton.

***Note 2. Summary of Significant Accounting Policies***

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

***Note 3. Loans Outstanding***

The Town of Hampton had the following loan balances outstanding at December 31, 2014. The loans made during the year are included in the federal expenditures presented in the Schedule.

<i>CFDA Number</i>	<i>Program Name</i>	<i>Outstanding Balances at December 31, 2014</i>
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$3,699,126